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PROGRAMME PLANNING

Country and intercountry programmes and projects

FIFTH COUNTRY PROGRAMME FOR URUGUAY

Programme period	Actual resources programmed	$
1992-1996	IPF	4 728 000
	Estimated cost-sharing	15 985 000
	Total	20 713 000

CONTENTS

		Paragraphs	Page
I.	DEVELOPMENT SITUATION, OBJECTIVES AND STRATEGIES	1 - 10	2
	A. Socio-economic situation and trends	1 - 6	2
	B. National development objectives and strategies ...	7 - 10	3
II.	EXTERNAL COOPERATION	11 - 17	4
	A. Role of external cooperation	11 - 15	4
	B. Coordination of technical cooperation	16 - 17	5
III.	THE COUNTRY PROGRAMME	18 - 63	5
	A. Assessment of ongoing country programme	18 - 25	5
	B. Proposals for UNDP cooperation	26 - 56	7
	C. Assistance outside main country programme areas ..	57 - 60	14
	D. Implementation and management arrangements	61 - 63	15

Annexes

I.	Financial summary	17
II.	Programme matrix	19

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I. DEVELOPMENT SITUATION, OBJECTIVES AND STRATEGIES

A. Socio-economic situation and trends

1. In recent years, there have not been any processes of structural change in Uruguayan society deriving from strong rhythms of economic growth, high rates of population increase or accelerated urbanization processes. Instead, in the aftermath of the crisis of the agro-exporting and import substitution model, the national economy began a long process of production decline which weakened the material basis underpinning public services and social policies. Although this phenomenon affected the region as a whole, in the case of Uruguay it had special characteristics since it marked the beginning of far-reaching changes in national socio-economic structures. During the first half of the century, processes such as the incorporation of wage-earners into industry, the emergence of middle-income socio-economic groups, and the existence of relatively high levels of education, health and social security and early urbanization had already made Uruguay an integrated and modern society in the Latin American context.

2. As a result, starting in the 1960s, Uruguay experienced a series of political shocks deriving from the difficulty of finding socially acceptable solutions to the imbalances that were developing: inflation, fiscal deficit, decline of investment in production, deterioration in the level of employment and wages and growing external debt.

3. The economic recovery that began after 1986 during the first years of the restoration of democracy led to a decline in unemployment and a recovery of real income. However, since this recovery was based essentially on the existence of substantial idle production capacity and not on the growth of net investment, the relative recovery of demand, without a corresponding increase in the supply of goods and services, continued to exacerbate the structural imbalances already mentioned.

4. As a result, in Uruguay today, the social indicators give a contradictory picture. According to the Human Development Report prepared by UNDP in 1991, Uruguay has the highest ranking in Latin America; the literacy rate is about 95 per cent and the infant mortality rate has declined substantially, to 24 per 1,000; women are participating increasingly in all sectors of public life; their rate of economic activity has risen from 28 per cent to 48 per cent over the past decade and their participation in education is similar to that of men at the primary and secondary levels, and actually higher at the university level.

5. Yet, according to available statistics, 22 per cent of households in Uruguay still have basic needs that are not met, and poor households whose income does not cover the minimum expenses for family survival account for 9.2 per cent of households in Montevideo and some 13.6 per cent in the interior. The unemployment rate among women - who are "heads of family" in 25 per cent of Uruguayan households - is currently about 12 per cent, while that of men is about 7.6 per cent, and the average wage earned by women is not

much more than half the average received by men. The population group between 15 and 24 years of age has an unemployment rate of approximately 25 per cent and the emigration of young people as a result of the lack of opportunities at the economic and social levels is a very disturbing demographic factor in a country with an aging population in which young people represent only about 15 per cent of the total population.

6. The state of the national environment also requires attention because of the deterioration caused by erosion and the intensive use of part of the cultivable area, the increasing pollution of coastal and river waters and the need to preserve particularly important and fragile ecosystems threatened by the expansion of rice cultivation.

B. National development objectives and strategies

7. The central objective that has faced Uruguayan society for a number of decades now has been to regain its traditional situation of economic growth combined with social justice. Now, however, this challenge has become much greater, because Uruguay has decided to participate in an integration process at the subregional level and is therefore obliged to carry out a general restructuring of its economy so that, in the short term, it can participate in much broader, more dynamic and competitive markets and, at the same time, so that this process can be carried out at the lowest possible economic and social costs. From a general perspective, this process already has many implications and repercussions in the political, economic and social spheres which will affect, for example, macroeconomic policies and the processes of redefinition of the role of the State, conversion of production, scientific and technological development, generation of employment and income distribution.

8. At the domestic level, the attainment of these objectives has to be made compatible with overcoming the limitations imposed by the external debt, the fiscal deficit and inflation as a prior condition for encouraging investment by the private sector and enabling the State, for its part, to regain its material ability to promote greater well-being for the population through efficient and modern social policies.

9. To this end, the Government has formulated a development strategy which is based on the following fundamental priorities:

(a) Reduction of inflation and renegotiation of the external debt as an essential requirement for achieving economic stability and promoting growth;

(b) Promotion of investment in production, to the extent that this is one of the key problems underlying the short-term stagnation of the Uruguayan economy;

(c) Initiation of the subregional integration process (MERCOSUR) with Argentina, Brazil and Paraguay, as a central instrument in the strategy of external liberalization;

(d) An emergency social programme, with the objective of alleviating the poverty of a broad sector of the population and offsetting the social costs implicit in the measures of fiscal adjustment and containment of public expenditure;

(e) Reform of the State, conceived in terms of rescaling it and transforming its operational system; to a large extent, this is directly associated with the other priorities mentioned.

10. The Government has also established the strategy of promoting Uruguay as a "natural country" and developing a solid ecological awareness in the population, so as to bring about a rational management of ecosystems and prevent the deterioriation of non-renewable natural resources.

II. EXTERNAL COOPERATION

A. Role of external cooperation

11. In general, the flows of external cooperation received by Uruguay have shown a tendency to rise over the past five years following Uruguay's return to democratic forms of government.

12. According to the available information, during the 1989-1990 biennium Uruguay received financial assistance to a total amount of approximately $600 million; the main contributors were the Inter-American Development Bank (IDB), the World Bank, the International Monetary Fund and the Governments of Japan, France, Italy and the United States of America.

13. In relative terms, this assistance was channelled, on a priority basis, to the sectors of transport and communications (45 per cent), development policies and strategies (25 per cent), agriculture and fisheries (11 per cent) and natural resources (10 per cent).

14. With regard to technical cooperation other than flows of capital assistance, Uruguay received a total of about $55 million, of which more than half came from bilateral assistance programmes, notably those sponsored by the Governments of Sweden, the Netherlands, Italy, Japan, Spain and the United States of America. The sectoral distribution of the resources received shows that the main sectors were agriculture and fisheries (28 per cent), industry (26 per cent), science and technology (14 per cent) and social welfare (11 per cent).

15. The United Nations system as a whole played an important role in the cooperation received by Uruguay during the period under review. UNDP has been the main technical cooperation body in that, to supplement the funds it provides, the Government, with the help of UNDP, has increasingly mobilized its own resources and resources from other sources of cooperation, using the mechanism of co-financing of costs.

B. Coordination of technical cooperation

16. The technical cooperation received by Uruguay from external sources is coordinated by the Budget and Planning Office through its Technical Cooperation Division. This Office has been using, as a general frame of reference, the current UNDP national technical cooperation programme (1987-1991) in which the Government defined its main development objectives and formulated the strategies for achieving them.

17. In this context, linkages between activities by various external cooperation bodies have been established in many instances. For example, part of the financial contribution made by the Government under the fourth UNDP country programme was obtained by channelling resources received under the Uruguay-United States bilateral cooperation programme, through the Agency for International Development of the United States (USAID). Uruguay has also benefited from various projects of UNDP and the technical agencies of the United Nations system, coordinated by UNDP, which support and complement parallel activities financed by other sources, whether bilateral donors or multilateral credit institutions such as IDB and the World Bank.

III. THE COUNTRY PROGRAMME

A. Assessment of ongoing country programme

18. The fourth country programme was centred around four objectives: (a) support for the export sector and strengthening of related institutional infrastructure ($3.3 million, or 21 per cent of total programme resources); (b) promotion of scientific and technological development ($3.5 million, or 22 per cent of the total); (c) strengthening and modernizing of State management ($7.5 million, or 47 per cent of the total) and (d) reinforcement of certain specific priority areas and promoting greater use of technical cooperation among developing countries ($1.2 million, or 8 per cent of available resources).

19. The most noteworthy results achieved in pursuit of the objective of support to the private production sector producing goods and services include the support provided to the Ministry of Foreign Affairs and the Ministry of Economic Affairs and Finance in designing a trade strategy for the country; to the National Cooperation for Development agency in defining methodological criteria for the evaluation of investment projects; to the Investment Promotion Commission in identifying, supporting and following up investment projects and in introducing an innovative mechanism for identifying, forming and developing small and medium-scale technology-based enterprises. More than 100 investment projects designed to support such enterprises are presently under implementation.

20. In the context of the promotion of scientific and technological development, of particular significance was the support provided to research and teaching in basic sciences, the results of which are reflected, for example, in the return to the country of 57 top-flight researchers, the

training of 250 scientists in master's and doctoral programmes and the presence of 160 active researchers in the five programme areas. Other projects in this programme area have also had good results, such as the cultivation of barley, which has great export potential, the inactivation of the foot-and-mouth disease virus in meat products, which will further diversify international trade in this sector, and the computerization of the system of trademark rights, which now provides an expeditious and useful service to the private sector.

21. In the area of the strengthening and modernization of State management, a broad range of projects has been implemented in support of the executive, legislative and judicial branches. These include the support provided for the design and implementation of a private sector wages policy during the period 1985-1989; the installation of a "management centre" for the Office of the President of the Republic, which receives, processes and produces macroeconomic data in real time; the computerization of the central services of the Senate and the Chamber of Deputies; the formulation of diagnoses and recommendations for the computerization of the judicial branch, the installation of new management information services in the field of telecommunications and support for the execution of the National Debureaucratization Programme, whose immediate results, or such as it has been possible to quantify to date, have been annual savings of over $30 million for the public treasury.

22. Within the framework of the support provided to some specific priority areas and the encouragement of technical cooperation among developing countries (TCDC), of particular importance are the advisory services provided to the Office of the President of the Republic, the Ministry of Foreign Affairs, the legislative branch and the Electoral Court for improving management capacity; support for the formulation of policies in the areas of education, youth affairs, foreign trade and development strategies; the training of human resources at the University of the Republic and in the State Thermoelectric Plants, and advisory services in the field of technical cooperation among developing countries. UNDP cooperation was instrumental in the conclusion of various agreements and the implementation of joint projects between the Government of Uruguay and the Governments of Argentina, Brazil, Chile, China, Mexico, Panama, and Peru, in various areas, such as frontier integration, complementarity in relation to agriculture and livestock, biogas production, and the development of renewable natural resources.

23. In the execution of the fourth programme, relevant use continued to be made of the experience and training of national human resources. Relations of coordination and cooperation with the Inter-American Development Bank and the World Bank were strengthened, and the successful experience, initiated in the third programme, in the area of the incorporation of Government and bilateral resources into UNDP programmes and projects was extended. Through a lump sum contribution received directly from the Budget and Planning Office and other contributions from various national institutions and bilateral donors, the programme had available resources of more than $15 million, including a UNDP contribution of $5.9 million.

24. In addition, links with private sector groups in the areas of production, trade and technology and with non-governmental organizations were another feature of the fourth programme. With respect to the activities of the United Nations system as a whole, coordinating mechanisms were expanded and improved. Also, the experience of national project execution was continued; midway through the fourth national programme, such execution accounted for around 70 per cent of the total, the highest rate in Latin America.

25. It may therefore be concluded that, in general terms, the programme has been executed in accordance with the objectives and modalities originally established by the Government. Nevertheless, an assessment of the fourth programme revealed a number of significant limitations, which must be overcome within the framework of the current national programme. Firstly, the programme areas and approaches were somewhat dispersed and a number of activities were duplicated; this to some extent undermined the concentration of UNDP cooperation and lessened the impact of the programme in the priority areas. Moreover, not enough attention was given in all cases to the criterion of avoiding mere budgetary support. In addition, specific problems were encountered in the implementation of some projects, which were related to their very design, or to institutional weaknesses in their execution for which adequate provision had not been made.

B. Proposals for UNDP cooperation

Preparatory process

26. The preparatory process for the fifth UNDP programme began in early 1991. In response to an initiative of the President of the Republic, on 13 March a first meeting was held to facilitate a general exchange of views between the Government and the United Nations system, attended by, in addition to the President, the Secretary-General in the Office of the President, the Director of the Budget and Planning Office, and the Director of International Cooperation in the latter Office. The United Nations was represented by the UNDP Resident Representative and the heads of the technical agencies represented in the country: World Health Organization (WHO), Food and Agriculture Organization of the United Nations (FAO), United Nations Educational, Scientific and Cultural Organization (UNESCO), International Labour Organisation (ILO), and United Nations Industrial Development Organization (UNIDO).

27. The discussion was based on a document prepared by the UNDP office, which included a review of achievements to date under the fourth country programme - complementing the 1989 review of the programme - as well as the presentation of the main areas of cooperation and the programming and implementation modalities and instruments which UNDP is proposing world wide for its fifth cooperation cycle, in accordance with the guidelines set forth in General Assembly resolution 44/211 and the decisions of the UNDP Governing Council, in particular decision 90/34, concerning the priority and strategic areas of action for the next five-year period.

28. During that meeting, the Government made known its general priorities for international technical cooperation and outlined the specific areas in which it hoped to receive support from UNDP and from the United Nations system as a whole. In conclusion, the high degree of compatibility between the suggestions made by UNDP and the main areas of interest indicated by the Government of Uruguay was highlighted.

29. UNDP later sent to the Government an advisory note in which, on the basis of the discussions held so far, it formulated an initial proposal regarding the programme areas and sectors on which it felt that the fifth programme in Uruguay should concentrate, and recommended the adoption of certain operational modalities.

30. After studying the document jointly with UNDP, the Budget and Planning Office approved the UNDP proposal to focus its technical cooperation on areas related to State reform, investment promotion and social policies, and began a process of consultation with national institutions for identifying priority areas of cooperation in those sectors.

31. Account was also taken of the recommendations of an international advisory mission on regional integration, changing production patterns and the role of the State in supporting these policies, as well as the preparatory work in formulating national priorities and strategies in the field of social policies, whose implementation, by the social investment programme, will receive financing from IDB.

32. Lastly, on these bases, the present programme was formulated by the Budget and Planning Office, in consultation with and with the cooperation of the local UNDP office.

Strategy for UNDP cooperation

33. The priorities identified in the preceding paragraphs constitute the frame of reference for determining the selection of priority areas and the most appropriate operational strategies for the international cooperation received by Uruguay, in the light of the following considerations.

34. Firstly, the implementation of the programmes of the Government in the area of State reform, investment promotion, formulation and implementation of social policies and subregional integration has come up against obstacles of various kinds, and in overcoming them, international cooperation from all sources can play an extremely important role.

35. UNDP cooperation in particular, with the technical support of the specialized agencies of the United Nations, has a key role to play in the area of the generation and strengthening of permanent national capabilities.

36. In addition, the Government endorses the UNDP proposal regarding the introduction of a programme-based approach to technical cooperation, and intends to establish a systemic logic between programmes and projects,

coordinating the activities financed by the various bilateral and multilateral sources in order to avoid duplications and the consequent inefficient use of resources. Given its institutional characteristics as a politically neutral agency that provides unconditional financial assistance for multisectoral and multidisciplinary activities, UNDP is also considered to have an important contribution to make in this area, by supporting the Government in its activities for the coordination of external cooperation.

37. Also, taking into account the cooperation agreements signed between UNDP and multilateral investment credit agencies operating in the region, such as the Inter-American Development Bank and the World Bank, the Government understands that in view of the flexibility of its administrative procedures, UNDP cooperation will help it to speed up the initiation and execution of this type of activity, while at the same time supporting national institutions in their efforts to achieve their set goals more rapidly, and reducing the financial costs associated with the delay in making planned disbursements.

38. In this same context, it is hoped that it will be possible to continue counting on the collaboration of UNDP to mobilize resources contributed to its programmes and projects by other bilateral or multilateral donors under the "cost-sharing" modality, as well as on the possible input of public funds, to be defined in due course by the Government, to supplement the resources of UNDP under the present programme.

Proposed UNDP cooperation in selected areas of concentration

39. By virtue of the considerations put forward in previous sections and in the light of the need to maximize the impact of the available resources, which are scarce in relation to the national requirements for external technical cooperation, it is requested that the fifth UNDP technical cooperation programme should concentrate on the following thematic areas, on which both the development strategy drawn up by the Government and the priorities for UNDP cooperation laid down by the Governing Council in decision 90/34 clearly converge in all cases:

- Investment promotion and conversion of production;

- Reform of the State and modernization of its management;

- Social policies.

40. Likewise, bearing in mind that the objective of the country's subregional integration within the framework of the Mercado Común del Sur (MERCOSUR) is related directly or indirectly to the other national goals and priorities identified, and accordingly multiplies and interrelates the possible requirements for technical cooperation spelled out in this programme, priority will be given to the specific consideration of this dimension as a criterion in the process of formulating programmes and projects in the proposed three areas of concentration.

41. Within this broad framework, the mechanism of technical cooperation among developing countries, as an instrument of horizontal cooperation in the use of which the country has a wealth of experience, will play a fundamental specific role, facilitating the implementation of agreements of mutual interest which Uruguay may conclude with other MERCOSUR countries in a very wide range of areas.

Investment promotion and conversion of production

42. National objective. On the basis of its strategy of economic stability, the Government proposes to create a climate of confidence and an appropriate framework for promoting investment in production and the development of a dynamic, enterprising, competent national private sector with good connections with the rest of the world.

43. The cooperation activities and projects identified for UNDP cooperation in this priority area will make up an integrated programme comprising the following activities:

(a) Investment promotion through: (i) design and support for the implementation of an operative methodology for facilitating the identification of transactions and the reaching of agreement on investment projects through the combined efforts of the public sector and the business and finance sectors; (ii) the formation of an external promotion network to identify foreign investors; and (iii) the drawing up of guidelines and uniform and systematic mechanisms for investment project formulation, presentation and analysis;

(b) Conversion of production through support for: (i) implementation of the measures to be taken at the macroeconomic level and within the various industrial sectors to provide back-up and guidance for the process of their conversion, with substantial support from IDB; (ii) promotion of the necessary adjustment measures in other production sectors called for by the establishment of MERCOSUR; (iii) development of non-traditional exports, with integrated programmes for promoting exportable products or services, drawing on the successful experience of other countries in the region and making use where possible of the TCDC mechanism;

(c) Support for small enterprises on the basis of: (i) promotion of the establishment of a "business incubator" mechanism; (ii) promotion of micro-enterprises, in coordination with the non-governmental organizations currently working on this topic, the programme financed by IDB and the activities being supported, inter alia, by the German and Spanish aid agencies to give small businessmen solid training, promote their integration into the market and ensure greater participation of women, particularly in the interior of the country;

(d) Technological development and business training through support for: (i) linkage between the circles in which scientific and technical knowledge is generated and the production sectors; (ii) promotion of

appropriate mechanisms for disseminating information and transferring technology; (iii) organization of management and business training centres whose quality and field of specialization may enable them to attract businessmen from neighbouring countries as well.

44. Expected impact. The impact of the activities to be carried out within the framework of the subprogramme defined for this area will be evaluated in terms of its contribution to the opening-up of the economy to the outside world, the increase in real investment and the effective integration of the country into the international and subregional economy within the framework of MERCOSUR. In this last respect, in particular, means will have been provided of promoting the process of national conversion of production, including technical training and adjustment of the labour market.

45. The total resources allocated to this area amount to $5.9 million: $1.8 million from the IPF (38 per cent of the total), $3.6 million in government cost-sharing and $0.5 million in third-party cost-sharing.

46. Additional cooperation. UNDP and the specialized agencies of the United Nations system will facilitate the international contacts required in order to promote technological development and the identification of business opportunities through an integrated programme involving the participation of public institutions, professional associations and non-governmental organizations. In order to ensure integrated conduct of the proposed actions, particular attention will be paid to complementarity between the actions to be carried out in the different subareas of the programme with each other and with those promoted by other bilateral and multilateral cooperation agencies such as IDB and the United States Agency for International Development (USAID).

Reform of the State and modernization of its management

47. National objective. The Government is promoting a process of reform of the State - which, directly or indirectly, is associated with the attainment of the objectives set in the other priority areas mentioned - for the purpose of redefining the sphere of its activities, enhancing its efficiency and transforming it into an effective instrument in the service of economic development and social equity.

48. In particular, it is felt that by virtue of its special characteristics, UNDP possesses comparative advantages for concentrating its action in support of the following programmes of the Government:

(a) The National Debureaucratization Programme, which was designed and initiated with UNDP collaboration, and of itself constitutes a clear example of the strengthening of national capacity through a comprehensive and programmatic approach. On the basis of its initial results, which have materialized rapidly, the Government feels a need to expand and extend the Programme's activities over the coming years by channelling through UNDP additional resources from other sources of financing, both domestic and foreign, which have already shown particular interest in these activities;

(b) Institution-building in selected areas, continuing the experiment initiated under the fourth national programme, in which activities were conducted to support the management of the State in many areas of its activities. In the current situation, emphasis will be placed on the processes of reform and institutional modernization that aim at strengthening or creating national capacity in line with the goals and objectives set in the economic sphere, in particular those relating to investment promotion and the country's reintegration into the international economy, within the framework of which the integrationist strategy of MERCOSUR has been assigned the highest priority;

(c) Support for the implementation of investment programmes with external financing. The Government considers - and recent experience under the fourth programme confirms - that UNDP possesses flexible and effective mechanisms for facilitating and/or implementing programmes of this type. In this context, by way of example, mention may be made of the activities focusing on the municipal development of the interior of the country (IDB loan 609/OC-UR), the improvement of the operating capacity of the National Ports Administration (World Bank loan 3021/UR), the National Forestation Plan (World Bank loan 3131/UR) and the Social Investment Programme (IDB loan UR-0024 and TC9108095). Under the fifth programme, the Government hopes to continue and extend its cooperation with UNDP in this respect in relation to various programmes and projects that are currently under discussion with multilateral lending agencies.

49. Expected impact. The impact of the activities to be carried out in this thematic area will be evaluated in the light of their contribution to the introduction of flexible and modern procedures into the State administration which will make it possible to improve the quality of services and permit an ordered and rational reduction in public expenditure. In addition, special attention will be paid to creating mechanisms that will ensure the continuity and extension of the results attained. Thus, UNDP cooperation in relation to the implementation of investment programmes with external financing will have to seek to give the national institutions with which it conducts activities the capacity to implement these programmes directly and, where necessary, to be eligible for direct loans from international financing agencies.

50. The total resources allocated to this area amount to $8.4 million: $1.8 million from the IPF (38 per cent of the total), $5.8 million in Government cost-sharing and $0.8 million in third-party cost-sharing.

51. Additional cooperation. It is assumed that in the area of reform of the State and modernization of its management, in which it is already playing an important role, UNDP will contribute, apart from its own resources in the form of "seed capital", specific capabilities in terms of coordination with other technical and financial cooperation agencies, for the purpose of bringing about a multiplier effect from which the country will benefit.

Social policies

52. National objective. In this thematic area, the Government intends to restructure social policy in line with an integrated approach and to focus its actions more specifically on the real target population, comprising the social sectors in a situation of critical poverty. To this end, the strategy calls for a redefinition of the role of the State in the social field: the need is felt for the State, without abandoning responsibilities that are properly its own, to delegate actions to the agencies of civil society, integrating the work of a large number of institutions of very diverse origins which are currently working separately in order to eliminate duplication, increase coordination and, in short, enhance the impact of the policies.

53. In this area, UNDP cooperation is requested to set up an integrated programme comprising the following activities:

(a) Redefinition and coordination of social policies, in support of the activities of the Social Investment Programme, which will focus on:

(i) Identifying the target population and evaluating the actual impact on it of the existing social services;

(ii) Effective coordination of the State's social programmes and actions aimed at the most disadvantaged groups, as well as effective reorientation of social expenditures;

(iii) Launching of new projects focusing on specific beneficiaries and support for non-governmental initiatives;

(iv) Obtaining financial resources through bilateral and multilateral cooperation from various sources for the Emergency Social Investment Fund.

(b) Design and execution of specific social programmes, particularly in those activities which aspire to be more than simply aid, in the areas of (i) childhood in especially difficult circumstances; (ii) development of rural communities, with the specific participation of women, in the areas of health, training and promotion of productive income-generating activities; (iii) informal workers, encouraging the establishment and operation of small-scale enterprises of a productive nature and (iv) public housing programmes for the lowest income sectors.

54. Expected impact. The impact of the above-mentioned activities will be measured in terms of their actual contribution to increasing the efficiency of public expenditure through reorganization and greater focusing on previously identified target groups and to strengthening the capacity of the State to formulate medium- and long-term plans in accordance with Uruguay's current socio-economic situation. Special attention will also be paid to the promotion of practical forms of coordination and liaison between the social policies of the State and the programmes and projects carried out by NGOs and the private sector in general.

55. The total resources allocated to this area amount to $5.9 million: $0.7 million from the IPF (14.8 per cent of the total) and $5.2 million in Government cost-sharing.

56. Additional cooperation. UNDP's cooperation will be closely coordinated with the programmes of the United Nations Children's Fund (UNICEF) and the United Nations Population Fund and, in particular, with the programmes envisaged for financing by IDB in the social area, in some of which UNDP is already playing an important role in the preparatory stages.

C. Assistance outside main country programme areas

57. The Government has decided to allocate IPF resources amounting to $0.4 million (9 per cent of the total) to an unprogrammed reserve fund in order to finance other activities which, although they are not central priorities in the current programme, also play a very important role in the national development strategy.

58. This is the case, specifically, with preservation of natural resources and conservation of the environment, an area of interest both to the Uruguayan Government and to UNDP in accordance with its institutional mandate. At the national level, this political will was demonstrated, in particular, through the establishment of a new Ministry of Housing, Territorial Organization and Environment. Recently, the Organization of American States (OAS) carried out a global study on the characteristics of ecological and environmental problems in Uruguay which will serve as a basis for identifying international cooperation requirements to solve specific problems. Through the Global Environment Facility and the Trust Fund for the Montreal Protocol, UNDP will cooperate in this area, and will also support Uruguay's participation in the United Nations Conference on Environment and Development, to be held at Rio de Janeiro in 1992.

59. This and other topics, such as those involving the adaptation of the educational system to the requirements of modern society, the promotion of the generation and dissemination of technologies in the sphere of agriculture, the development of the national fisheries sector and of marine sciences, etc., will be incorporated into the current programme on the basis of the availability of UNDP resources and of the capacity of these activities to mobilize additional resources, whether from national counterpart institutions or from other sources of external cooperation. In this respect, during the implementation of the fifth programme, the Government hopes to have access to other UNDP resources in addition to the IPF, such as Special Programme Resources.

60. Because of the global nature of the problems in question, it should be easy to align these priorities with the activities to be carried out in the areas identified as central.

D. Implementation and management arrangements

61. In the implementation of the activities envisaged under this programme, technical cooperation in general, and that of UNDP in particular, will be viewed in the light of a programme approach embracing three areas of concentration:

(a) Within each thematic area, the interrelations within the projects proposed and the contribution of each one of them to securing the specific development objectives laid down by the Government;

(b) In the context of the programme viewed as a whole, the "common ground" between the three proposed areas, in the general context of the national development strategy;

(c) Also, bearing in mind the multisectoral and interdisciplinary importance of the problems of regional integration, this dimension will be specifically considered in connection with each of the suggested thematic areas.

62. In support of this concept, and in order to ensure the greatest possible efficiency in the use of the available resources, the Budget and Planning Office, with the cooperation of UNDP and while promoting the active participation of both donors and beneficiaries, will coordinate all concurrent activities in similar or complementary areas carried out with financing from other multilateral and bilateral cooperation agencies. Furthermore, periodic meetings will be held to analyse and monitor the progress of the programme, in order to evaluate the results achieved and to consider, in a dynamic way, the specific objectives in relation to each thematic area.

63. With reference to operational aspects, the following criteria will be used:

(a) While maintaining a dynamic approach to the national priorities which emerge in the future and respecting the considerations set forth in section III.C, in order to give the programme its own identity and achieve a real impact in terms of national development, in principle only those projects that are directly related to one of the selected areas of concentration will be included in it;

(b) Since technical cooperation is regarded essentially as a mechanism of transition towards the generation or strengthening of permanent national institutions and capacities, preference will continue to be given to the modality of national execution of projects, in which Uruguay has already acquired valuable experience. In particular, strategies for execution will be formulated aimed at achieving those objectives of sustainability with a reasonable degree of certainty;

(c) In support of the modality of national execution, specific advisory services will be sought from specialized technical bodies of the United

Nations in their respective areas of competence at each of the stages of the process of programming, execution and evaluation of the technical cooperation activities identified in this programme;

(d) On the basis of the formulation of programmes and projects, operational links will be established with the regional, interregional and global programmes of UNDP.

Annex I

FINANCIAL SUMMARY

I. ESTIMATED RESOURCES (IPF + cost-sharing) TAKEN INTO ACCOUNT FOR PROGRAMMING

(Thousands of dollars)

Carry-over from fourth cycle IPF	-	-
Fifth cycle IPF	4 728	
Subtotal IPF		4 728
Government cost-sharing	14 640	
Third party cost-sharing	1 345	
Subtotal cost-sharing		15 985
TOTAL		20 713

II. ALLOCATION OF RESOURCES (IPF + cost-sharing) BY AREA OF CONCENTRATION

Area of concentration	Thousands of dollars			Percentage of total resources
	IPF	Cost-sharing	Total	
Promotion of investment and conversion of production	1 800	4 115	5 915	28.6
Reform and modernization of the State	1 800	6 600	8 400	40.6
Social policies	700	5 270	5 970	28.8
Subtotal	4 300	15 985	20 285	98.0
Unprogrammed reserve	428		428	2.0
TOTAL	4 728	15 985	20 713	100.0

III. COMPLEMENTARY ASSISTANCE FROM OTHER SOURCES

		(Thousands of dollars)
A. UNDP-administered funds		
Special programme funds	50	
UNCDF	110	
Subtotal		160
B. Other United Nations resources		
JCGP participating agencies		
UNFPA	200	
UNICEF	2 400	
Global Environment Facility	3 000	
Subtotal		5 600
C. Other non-United Nations resources		4 947
TOTAL		10 707

Annex II

PROGRAMME MATRIX

Area of concentration	Area of focus 1/ Poverty eradication and grass-roots participation	Environment and natural resource management	Management development	TCDC	Transfer and adaptation of technology	WID
I. PROMOTION OF INVESTMENT AND CONVERSION OF PRODUCTION						
System of promotion of investment		X	X		X	
General and sectoral policies of conversion and export			X	X	X	
Development of small-scale enterprises		X	X		X	
Links between technology and industry		X		X	X	
Support to administration of MERCOSUR	X		X	X	X	X
II. REFORM OF THE STATE AND MODERNIZATION OF ITS MANAGEMENT						
National debureau-cratization programme			X	X		
Institutional strengthening		X	X	X		
Municipal development	X	X	X		X	
National administration of ports		X	X	X	X	
National forestry plan		X	X		X	

Area of concentration	Area of focus 1/ Poverty eradication and grass-roots participation	Environment and natural resource management	Management development	TCDC	Transfer and adaptation of technology	WID
III. SOCIAL POLICIES						
Redefinition and coordination of social policies	X	X	X			
Mobilization of resources	X		X			
Development of rural communities	X	X			X	X
Disadvantaged children	X					X
Public housing	X	X	X			X
Informal sector	X					X

1/ Asterisks indicate major linkage only.

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PROGRAMME PLANNING

Country and intercountry programmes and projects

FIFTH COUNTRY PROGRAMME FOR URUGUAY

Note by the Administrator

I. PROCESS OF THE PROGRAMMING EXERCISE

1. The process of preparation of the fifth country programme was initiated at the beginning of 1991 by a first meeting at which a general exchange of views took place among national officials at the highest executive level, headed by the President of the Republic, the heads of the technical agencies represented in Uruguay and the UNDP Resident Representative/Coordinator. The dialogue centred around a document in which the UNDP office analysed the conclusions and recommendations of the review of the fourth programme and presented the central themes and cooperation modalities which UNDP is promoting on the basis of the guidelines established in Governing Council decision 90/34.

2. On that occasion, the Government stated its general priorities for external technical cooperation in support of the implementation of its development strategy, pointing out the high level of compatibility between them and the central cooperation themes originally presented by UNDP.

3. That dialogue, as well as the discussions that took place with the Budget and Planning Office (OPP) and other sectoral national institutions, constituted the basis on which UNDP subsequently prepared its advisory note.

4. After analysing that document together with UNDP and establishing the broad lines of action, OPP initiated a process of identifying specific priorities for technical cooperation at the level of national institutions. Account was also taken of the recommendations of an international advisory mission on regional integration, conversion of production and the role of the State in support of whose policies, as well as of the input of the specialized agencies with respect to the identification of specific priorities and strategies at the sectoral level.

5. Against that general background, the programme was formulated by OPP in consultation with and with the cooperation of the local UNDP office.

II. FIFTH COUNTRY PROGRAMME FOR URUGUAY

6. In the current historical situation, the Government's strategy for restoring the pattern of growth with social justice which had already distinguished Uruguay in the Latin American context at the beginning of this century, has two main characteristics: reform of the State and openness to the outside world, expressed fundamentally in the decision to participate in the process of subregional integration with Argentina, Brazil and Paraguay in the Mercado Común del Sur (MERCOSUR).

7. Independently of the progress made in that process over the coming years, the commitment that has been entered into has immediate repercussions on the behaviour of economic agents, affecting both macroeconomic policies and sectoral ones, such as conversion of production, scientific and technological development, employment levels and income distribution, and even the redefinition of the role of the State itself.

8. Within this general framework, the Government has decided to request that UNDP cooperation during the fifth programme should focus on the generation and strengthening of permanent national capacity in three basic areas of its development strategy: (a) investment promotion and conversion of production; (b) reform of the State and modernization of its management; and (c) formulation and implementation of social policies. In view of the historic challenge posed by the subregional integration process that has been referred to, the programme incorporates this specific dimension in the above three areas of concentration.

9. Likewise, the Government has requested UNDP collaboration in support of the introduction of a programme approach to technical cooperation, by contributing to the coordination of activities and the mobilization of resources additional to the indicative planning figure (IPF), including the preparation and/or execution of programmes and projects financed by the Inter-American Development Bank (IDB) and the World Bank.

10. The limited capacity of the Uruguayan economy to generate relevant opportunities for investment in production in recent years has had two basic consequences: widespread economic stagnation and technological backwardness in some of the most relevant sectors. Although the country is achieving important localized results, this issue has not yet to date been tackled through an integrated and coherent approach. Moreover, the advent of MERCOSUR poses specific challenges with respect to resource allocation at the sectoral level which directly affect the process of placement of investments.

11. The activities of the programme in this area aim at helping to overcome these limitations. A comprehensive approach is introduced designed to strengthen management capacity at the public and private level with respect to investment promotion, subregional integration, development of small- and medium-scale enterprise and linkage between the circles in which scientific and technical knowledge is generated and the production sectors. These activities will be financed in the amount of $1.8 million under the IPF and $4.1 million in cost-sharing.

12. The process of transformation of the State is not conceived of in isolation, as an objective in itself, but plays a key role in the overall development strategy. The redefinition of the State's spheres of competence, as well as the modernization of its management, are instruments in the service of economic growth and social equity.

13. On this basis, the programme will support the expansion and intensification of the extremely productive results with respect to debureaucratization designed and initiated with UNDP collaboration in the context of the fourth programme. Likewise, support will be given to institutional modernization processes including the generation of national capacity to execute investment programmes and projects in selected areas, using UNDP resources as "seed capital". These activities will be financed in the amount of $1.8 million from the IPF and $6.6 million in cost-sharing.

14. Despite Uruguay's favourable position on the Human Development Index, the country's social situation has over the past two decades undergone serious deterioration which the Government proposes to tackle as a matter of urgency. Because of their global nature and the lack of coordination, the existing social programmes at the public and private level are not adequate instruments for this purpose.

15. Consequently, the activities of the programme in the area of social policies will be directed towards strengthening the State's capacity to reorganize and focus public expenditure on social issues in coordination with the programmes and projects promoted by NGOs and by the private sector in general. Likewise, as a supplementary measure, they will support the design and execution of specific social programmes for youth, women and housing for low-income sectors. These activities will be financed in the amount of $0.7 million from the IPF and $5.2 million in cost-sharing.

16. The Administrator takes note of the fact that three of the priority themes specified in Governing Council decision 90/34 - poverty eradication and grass-roots participation in development, management development and technology for development - are directly linked with the areas of concentration established in the programme. Likewise, the TCDC mechanism will prove to be a relevant instrument in relation to subregional integration; the participation of women in development is incorporated in the exercise of redefining social policies, and environmental problems and natural resource management will receive additional support from the Global Environment Facility and the Trust Fund for the Montreal Protocol.

III. MANAGEMENT OF THE PROGRAMME

17. The introduction of the programme approach is reflected in the simultaneous coverage of three aspects: the interrelationships between the set of projects within each thematic area; the "common ground" among the three areas proposed; and subregional integration as a common denominator of the national development strategy.

18. In support of this concept, and with a view to ensuring maximum efficiency in the use of the resources available for technical cooperation, UNDP will collaborate with the Government in the coordination of concurrent activities in similar or complementary areas being carried out with financing from other multilateral and bilateral cooperation agencies.

19. For the purpose of evaluating the results achieved and considering in a dynamic way the specific objectives set in each thematic area, periodic meetings will be held to analyse and monitor the progress of the programme, and a review of it will be conducted in 1994.

20. National execution, in which Uruguay has already acquired valuable experience, will continue to be the predominant modality of execution, supplemented by specific advisory services from the specialized technical bodies of the United Nations for the formulation, execution and evaluation of subprogrammes and projects in their respective areas of competence.

IV. RECOMMENDATION OF THE ADMINISTRATOR

21. The programme is based on a comprehensive approach which adequately reflects the national priorities and is focused on the areas of greatest relevance to the country in the present historical situation. Accordingly, the majority of the UNDP interventions will be directly linked to investment and technical cooperation programmes financed by multilateral and bilateral agencies.

22. Consequently, the Administrator considers that the programme constitutes a highly appropriate framework for enhancing the impact of the cooperation UNDP is able, with its limited resources, to extend to Uruguay in support of the sustained process of human development by playing a catalytic role in the coordination of external cooperation and in the mobilization of additional financial resources.

23. For these reasons, the Administrator recommends that the Governing Council approve the fifth country programme for Uruguay.